

720 Olive Street, Room 1520
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3. Laclede has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates.

4. Laclede is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

5. For well over a year now, Laclede has been involved in the planning, design, and preliminary implementation of an entirely new enterprise information management system (“EIMS”). As a result of this initiative, the Company will, for the first time in its history, have a fully integrated and comprehensive information management system that will be capable of providing enhanced accounting tools, cross-functional communication, data tracking and analyses, and other essential business processes in the areas of customer service, billing and information, financial performance, supply chain/inventory, human resources and asset management. In fact, the transformative nature of this undertaking to Laclede and how it operates is such that the Company and its employees refer to it as the Company’s “newBLUE” project.

6. Once completed in the summer of 2013, EIMS will provide the Company with additional tools to improve customer care. For example, it will make additional customer support information available to customer service personnel operating out of the Company’s call center – an enhancement that should lead to greater “first call” resolution for customer inquiries and, in the process, produce greater efficiency through the ability to take more calls and/or to reduce average speed of answer. EIMS will also

provide the Company with greater flexibility to design and implement more individualized service offerings for customers with distinct needs, requirements and operating characteristics. The value of this flexibility to Laclede's customers should be particularly evident when it comes to easier accessibility to information helping customers to better understand their energy usage and to benefit from the more efficient use of those energy resources. Similar benefits should also accrue in the design, implementation and evaluation of the Company's energy efficiency, affordability and weatherization programs.

7. EIMS should also benefit customers over the long-term by enabling the Company to operate more efficiently across a wide spectrum of business functions. Among other things, it will:

- help to streamline automated business processes and provide management with easy access to operational metrics for use in making timely and efficient management decisions;
- provide more robust reporting and financial analysis;
- enhance tools for conducting spend analysis in support of strategic sourcing;
- eliminate work duplication in the gathering, reporting and evaluation of data;
- enhance the ability to coordinate field operations in an even more efficient and systematic manner; and
- enhance the Company's ability to centralize, more rapidly access and more robustly analyze and track safety-related infrastructure data and records as well as compliance requirements.

8. In short, the introduction of these new information management tools will do for Laclede what the expanded use of such technology has done for countless other businesses – enable the Company to ultimately provide its customers with higher quality utility service in a more efficient manner.

9. As the Company begins to implement the various components of EIMS, however, it is critical that Laclede have an authorized, Commission-approved depreciation rate in effect by the beginning of the Company's next fiscal year (October 1, 2012) that can be applied to this kind of transformative information management asset. While Laclede has various depreciations rates in effect for software, communications equipment, computers and other assets, none of them are applicable to the kind of fundamental restructuring of information management assets represented by EIMS. Indeed, given their cost and complexity, it has been Laclede's experience that such wholesale changes to its information management systems for core functional areas only occur over intervals spanning 15 to 25 years.

10. For guidance in establishing an initial depreciation rate for this asset, Laclede therefore recommends use of the approach taken for Missouri American Water Company (MAWC) in Case No. WR-2011-0337. In that case, Missouri-American testified that it is currently involved in deploying a new enterprise information management system (referred to as the Business Transformation System, or BTS). Based on the testimony, it appears that the system changes involved in MAWC's BTS are almost identical to Laclede's EIMS. A comprehensive settlement agreement was recently reached and approved in MAWC's rate case in which numerous diverse parties agreed to an initial 5% depreciation rate for the BTS. Given the striking similarity between the two

projects, Laclede believes it is entirely appropriate and reasonable for the Commission to establish for EIMS the same initial 5% (five percent) depreciation rate that it recently authorized for MAWC's BTS. *See Re Missouri-American Water Company*, Order Approving Non-Unanimous Stipulation and Agreement (March 16, 2012).

11. Laclede also believes that it is appropriate and reasonable that, in authorizing this rate, the Commission order the same terms and conditions that were agreed upon and approved in Case No. WR-2011-0337 to ensure that the interests of ratepayers would be properly safeguarded. These include the customary disclaimers regarding no pre-approval of the reasonableness or prudence of the expenditures made on the project, the obligation to perform a full depreciation study in the rate case following full implementation of EIMS, and reservation of the Parties rights' to propose different depreciation rates upon review of the depreciation study in such case.

12. Accordingly, Laclede respectfully requests that the Commission issue its Order:

(a) establishing a new subaccount (Account 391.4 Enterprise Information Management System (EIMS)) for Laclede applicable to the assets identified on Schedule 1, hereto;

(b) assigning a 5% (five percent) depreciation rate for the EIMS investments expected to be placed in-service in 2012 and 2013, as identified on Schedule 1, effective October 1, 2012, which is the beginning of Laclede's new fiscal year;

(c) requiring Laclede to conduct and file a depreciation study in consultation with Staff in the next general rate case proceeding filed by Laclede after it completes implementation of the new system;

(d) specifying that subaccount 391.4 will accrue depreciation expense for the EIMS system at a 5% depreciation rate until the Commission orders a different depreciation or amortization treatment for these assets.

e) specifying that no party shall be bound to recommend this rate in a future proceeding and that this Order does not address the prudence of investment or amount of investment.

13. Laclede has discussed the substance of this application with the Staff of the Commission and the Office of the Public Counsel. As a result of those discussions, Laclede has agreed to the additional assurances and commitments set forth in Schedule 2 to this Application relating to the rights of Staff and Public Counsel to raise issues and concerns and obtain information relating to EIMS in subsequent rate case proceedings.

WHEREFORE, based on the foregoing reasons, Laclede Gas Company respectfully requests that the Commission issue its order establishing a 5% depreciation rate for the assets listed on Schedule 1 to this Application consistent with the terms set forth in this Application.

Respectfully submitted,

/s/ Michael C. Pendergast

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ATTORNEYS FOR LACLEDE GAS COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing Application was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 4th day of May, 2012 by hand-delivery, fax, electronic mail or by placing a copy of such Application, postage prepaid, in the United States mail.

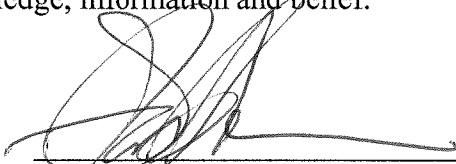
/s/ Gerry Lynch

Gerry Lynch

VERIFICATION

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Steven P. Rasche, being duly sworn, on his oath states that he is the Chief Financial Officer of Laclede Gas Company, the applicant in the foregoing Application; that he has read said Application, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.



Steven P. Rasche

Subscribed and sworn to before me a Notary Public in the City of St. Louis, State of Missouri, this 4th day of May, 2012.

My Commission expires: 2/18/16.

[seal]



Notary Public, State of Missouri

KAREN A. ZURLIENE
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: Feb. 18, 2016
Commission # 12382873

ENTERPRISE INFORMATION MANAGEMENT SYSTEM ASSETS
SUBJECT TO 5% DEPRECIATION RATE

Amounts capitalized to implement the EIMS will include both internal and external costs (including consulting costs and applicable overheads) to design, configure, test and implement the following enterprise software in accordance with GAAP:

- Oracle Enterprise Business Systems – core system functionality including accounting, reporting, payment processing and supply chain functionality (calendar Q4 2012 targeted implementation)
- PowerPlant – a utility-focused suite of applications supporting fixed asset and tax accounting (Q4 target)
- Oracle Customer Care and Billing – supporting all customer-facing functionality including billing, collections, and customer service functions (Q3 2013 target)
- IBM Maximo - Enterprise asset management and workflow system (two phased implementation targeted for Q1 and Q3 2013)

**Depreciation Application
Laclede Acknowledgements**

Laclede expressly acknowledges that agreement on the establishment of a depreciation rate for the new EIMS will in no way restrict the rights of either the MPSC Staff or the Office of Public Counsel to propose any adjustments, due to an allegation of imprudence or otherwise, related to the implementation of the EIMS in Laclede's next or any future rate case. Such rights include, but are not limited to, evaluating:

- Decisional prudence
- Prudence of expenditures
- Evaluation of accounting policies as to amounts and types of expenditures capitalized
- Allocation of such costs to affiliates or unregulated activities

Subject to the customary rules of discovery, Laclede agrees that it will provide access to project plans, project reporting documents, invoices and other evidence of payment related to the project in our next or any future rate case. Nothing herein restricts any party from recommending a different depreciation / amortization rate or the use of any depreciation methodology in our next or any future rate proceeding.